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CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

OFFICE OF DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

DD / S R E G I S T R Y

FILE *Aggr Budget*

The Honorable Kermit Gordon
Director
Bureau of the Budget
Washington 25, D. C.

Dear Mr. Gordon:

This letter is in reply to your letter to Mr. McCone dated April 14, 1964, in which you requested submission of the annual spring review of this Agency's program. Some three months ago, partly in anticipation of your request but more particularly to furnish me with needed planning information, the heads of the various components of this Agency were directed to take a hard pragmatic look into the future of their operations and to attempt to visualize this Agency's role over the remainder of the 1960's. In developing these projections, my officers were urged to give due weight to Presidential directives relating to economy in government and to realize that strong justification would be necessary for any marked increase. On the other hand, funds for long-delayed modernization of equipment and for clearly necessary or highly desirable items were to be included. Emphasis was to be given to the substance of the business, with only secondary attention to financial detail. The resulting plans were rewardingly conservative when translated into terms of resource requirements. I believe that this exercise constitutes full compliance with your request for "a fresh evaluation of program goals and objectives."

In preparing this Agency's response to your government-wide call for a spring preview, I have taken my sermon from what I believe are two particularly salient passages in your letter of April 14. The first is your assumption that international tensions and our international objectives will not change substantially over this oncoming period. The second is the admonition to the effect that in reducing or eliminating activities we should not include any services which are clearly essential to the national security and the well being of the Nation. Both of these guidelines, which I presume were directed to all the departments and

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agencies, are of course particularly applicable to the Central Intelligence Agency. Our business is national security, and our overriding objective during the period under review will be to strengthen the Agency's capability to discharge its heavy responsibilities in this regard.

With reference to the larger question of USIB-wide considerations over the five-year period, this will be the subject of a separate letter from Mr. McCone. I believe Mr. Bross is in touch with Mr. Amory on this point.

Attached at annex are dollar projections for the period FY 1965 through FY 1969, together with narrative statements of major trends as foreseen in our program activities. You will note that the dollar figures compare very favorably with the planning estimates furnished by Mr. Amory in his February 28, 1964 letter: the Agency's FY 1966 figure exceeds the Bureau's by only [] -and with subsequent years the Agency estimates actually fall below the Bureau's. (At this point in time, we have not endeavored to project requirements for replenishment to the Reserve for Contingencies.) The Agency's dollar projections reflect a deliberate effort to restrict future personnel growth, and actually to decrease overall personnel strength as we move through the period under consideration. As of now, this downward projection of our personnel ceiling should be viewed only as an expression of intent -- but one which is in keeping with Presidential mandates and with my own personal desire to operate this Agency with the minimum staff actually required to carry out our responsibilities. Militating against this goal of reducing personnel strength there are, of course, the many pressures brought on by new requirements which were outlined in the Agency's manpower utilization report of April 23, 1964.

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In the light of the foregoing, I am wholly unable to identify, as you requested, some [] dollars' worth of activity in FY 1966 which I could relegate to a lower priority. The dollar levels submitted are minimal in nature, the estimates are realistically drawn, and there have been substantial adjustments in the allocation of resources to the several program activities over the five-year projection.

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With regard to costs of proposed legislation, apart from the pending pay bill--which I understand the Bureau will make central adjustments for--we anticipate only very modest increases to cover amendments to our retirement bill. Other legislation, such as minor administrative amendments and proposed actions pertaining to protection of intelligence sources, will not affect our estimates.

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In closing, I should like to make note of three imponderables which could have a marked effect on our future budget levels. First is the course and direction of the National Reconnaissance Program. Obviously, either an accelerated pace in Agency operations or a rapid phase-out of Agency participation would have a corresponding effect on resource requirements. This matter is not yet resolved. Secondly, we have arrested future expansion of the Agency role in the National Communications System, and our projections do not provide either manpower or money for the resumption of this buildup. To get on with this effort, an increase in our FY 1965 authorized personnel ceiling would be required, and I understand staff-level discussions are in progress on this question. Third is the question of the scale of effort which will be required from this Agency over the next few years in COMINT collection. This involves considerations of both a civilian intercept service and of an increase in reliance on CIA's third party COMINT operations by the rest of the intelligence community.

With these caveats, I believe that the information furnished herein is sufficient to form the basis for further discussions with you and members of your staff.

Faithfully yours,

Marshall S. Carter
Lieutenant General, USA
Deputy Director

Attachment

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PRODUCTION OF INTELLIGENCE

The Agency will continue its most basic function of providing the President and policy makers at the highest level with an accurate, timely and objective view of foreign situations and developments relating to national security, drawing on all sources of information in any part of the U.S. Government. The parameters for current reporting and for the estimative processes are well established and will continue without major change. In the economic, scientific and military fields, however, we see further developments along these lines:

No reduction in reporting out information on economic conditions within the communist world--which continues to have a major impact on U.S. foreign policy considerations.

A sustained interest in the trade and financial relations both within the communist world and between communist nations and nations of the Free World, with particular emphasis on competition between the communists and ourselves in the underdeveloped nations.

As a matter of highest priority the Agency must continue to play a very active role in developing knowledge of military weapons systems, programs, and capabilities--not only of communist nations but of selected countries in the Free World.

Reevaluation of the evidence and ranges of uncertainty of existing military estimates will continue, involving very substantial inputs and leadership from CIA.

The high level attention given to space and missile events, and the need for rapid, concise and complete reporting thereon requires an early buildup in our capabilities in this field to be accomplished within FY 1966.

The sound results achieved from contracting out for external research in scientific intelligence prompts the expansion of this activity to the planned-for annual level.

Over the period of this projection, capabilities of other U.S. intelligence services will undoubtedly improve with respect to the foregoing intelligence production areas. However, given the need for tight,

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objective reporting in support of the DCI in his role vis-a-vis the President, in all practicality we can foresee no real diminution of in-house capabilities in these fields.

Within two years, after the reduced NIS program has been well launched, a new look may be in order to ascertain the possibility of reducing the demands basic intelligence production make on our resources.

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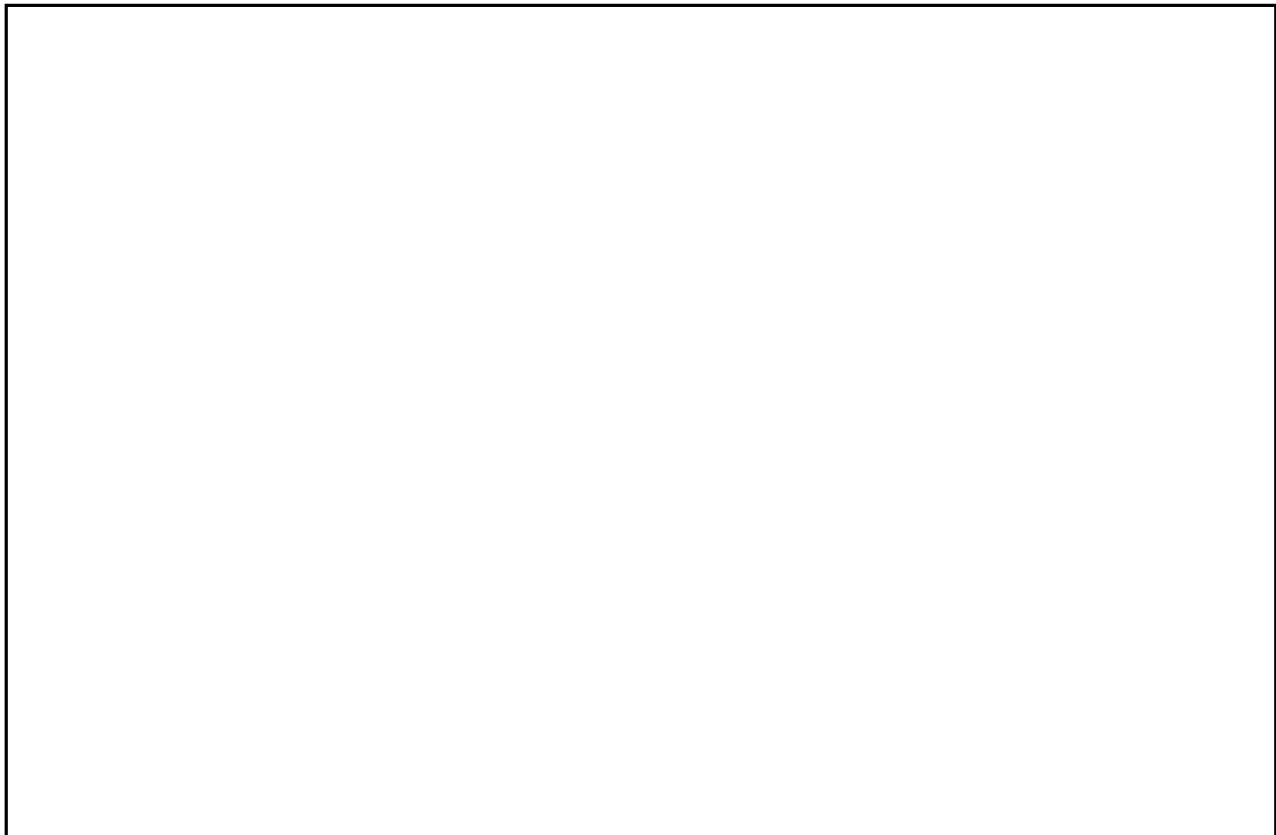
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RESEARCH AND DEVELOPMENT

We are convinced that a strong program of research and development in support of intelligence objectives is an essential ingredient in the national security posture. New technical devices employed by the intelligence services of the opposition must be countered, and fresh, promising approaches to our own collection requirements must be advanced. Much of the Agency's R&D effort is centered in the Science and Technology Directorate, which should reach planned staffing levels in FY 1966. In our projections, the program for advanced research moves steadily upward to a [redacted] annual level in FY 1969. Among the specific areas of attack are [redacted] developments, and a variety of efforts to thwart [redacted] connaissance systems. Also provided for in our estimates are further R&D efforts in communications security, improved communications gear, more sophisticated and reliable agent equipment, and photographic interpretation advances in line with oncoming collection systems. It is important to note that technological breakthroughs which may result from our R&D work could lead to a very heavy requirement for additional funds to carry through applied engineering and acquire the actual hardware.

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PROGRAM WIDE

The world-wide interests of this Agency and the intricacies of our operations require a substantial investment in the activity labelled "Program Wide"--an activity which encompasses somewhat more than "support", or "administration", or "overhead". Security, for example, is a support function, but it is also in some respects heavily operational in nature. Training also has this dual characterization. Communications are the nerve fibers through which the whole organization is manipulated. Our projections, accordingly, do not forecast any narrowing of these essential services which provide the underpinnings for this Agency's operations.

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Commencing early in FY 1965 the Junior Officer Trainee program will be expanded, with further increases carrying over into FY 1966 and onwards.

The Agency's reference systems will continue to incorporate developments in automatic data processing into their operations in an orderly manner, and good progress has already been achieved in this direction. While service will improve, and the quality of information be greatly increased, we foresee no appreciable savings in manpower.

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BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

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14 APR 1964

Honorable John A. McCone
Director of Central Intelligence
Central Intelligence Agency
Washington, D. C. 20505

Dear Mr. McCone:

This letter outlines the nature of the information your Agency is asked to submit as the basis for the annual spring review of Government programs. In this year's review we expect to take full advantage of the process of program and financial planning developed over the past three years and to emphasize the consideration of longer-range program issues. The information you submit should be aimed at those objectives. We should like to have it in our hands no later than May 4, 1964.

Essentially, your submission should provide two kinds of information:

First, the program plan which you propose for your Agency for the next several years and a financial plan of new obligational authority based thereon. The new program plan and financial plan should be based upon a fresh evaluation of program goals and objectives, thus going beyond a simple updating of previously submitted plans. Information has been provided your staff as to the modifications in these earlier plans which the 1965 budget allowance would require. Modifications likely to result from actions of the Congress in this session must also be taken into account.

Special efforts should be made to incorporate into your submission proposed reductions in and eliminations of marginal or obsolete activities in accordance with the President's policy that by such action we can allow new and expanded programs to move ahead.

Second, information to give the President an adequate recognition of the program priorities involved in his budget decisions and to assist him in making the choices that may be necessary for the attainment of his fiscal objectives. Your judgment is needed with respect both to the Central

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Intelligence Agency and the total U.S. foreign intelligence effort. Accordingly, we are asking that you identify:

1. For your Agency as a whole, with some ranking of priorities, a band of possible adjustments that could be made to your program and financial plans. This band should cover at least 10% of the controllable new obligational authority in your financial plan for 1966. The identified adjustments should, of course, consist of activities lower in priority and urgency than those not so identified. Further, they should not include any Government services which are clearly essential to the national security and the well-being of the Nation.

2. For the intelligence community, as defined by USIB membership, the budgetary implications of the various special studies of broad intelligence program areas now being conducted under your sponsorship and of any other community-wide program reviews you may have undertaken. With respect to the Consolidated Cryptological Program and the National Reconnaissance Program, I would welcome any comments on these areas you may wish to make. I particularly solicit your views as to the magnitude of the overall intelligence effort which you believe will be required between now and fiscal year 1969 and any changes you anticipate in the basic "mix" of collection techniques.

Since the spring program review will concentrate on major long-term objectives and policy issues, figures are important in terms of general orders of magnitude only. Such figures will provide an adequate basis for the target amounts and other guidelines for the 1966 budget which we would expect the President to establish after the program review has been completed. Therefore, it would be unproductive to expend great effort in attempting to refine figures or present them in minute detail. This review is concerned with the 1966 budget only to provide guidance for its preparation--not to determine its detail.

We expect that your plans will take into account the policies on improved efficiency and tighter management which the President has enunciated on several recent occasions. Vigorous efforts must be made to apply and extend these policies.

For the purpose of preparing program statements and budget projections, we suggest using the following assumptions: (1) that the current economic recovery will continue without major interruption, but relatively full employment (i.e., 4% unemployed) may not be reached until early in the calendar year 1966; (2) that domestic prices--on the average--will remain generally at their present levels; (3) that present classified salary scales will continue (necessary adjustments will be made by us centrally);

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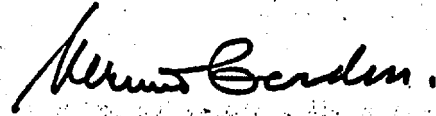
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and (4) that international tensions and our international objectives will not change substantially. These are, of course, assumptions and not forecasts; they are simply intended to provide a uniform basis for the consideration of programs and projections.

After we have reviewed and analyzed your program statements and budget projections, we expect to discuss them with you before placing the complete budget outlook before the President.

Sincerely,

A handwritten signature in cursive script, appearing to read "William Borden".

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